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September 14, 2004

Honorable Ann Veneman, Secretary  
U.S. Department of Agriculture  
14<sup>th</sup> Street & Independence Ave., S.W.  
Washington, D.C. 20250

Dear Secretary Veneman:

I am writing to you because I recently became aware of a USDA briefing document, apparently delivered to the American Dairy Products Institute on April 20, 2004, which suggests, among other things, that the Department of Agriculture is contemplating imposing a new milk tax on dairy farmers and a milk support price cut after the November elections.

The document bears the names of Larry Salathe of the Office of the Chief Economist and William March and Milton Madison of the Farm Service Agency. Page two of the document outlines USDA's "Goals and Objectives in an Election Year" as to "Maximize votes from major dairy states" and lists California, Wisconsin, Minnesota, New York and Michigan. The following pages explain "How to Maximize Votes", listing "strong milk prices through Market Fundamentals" and "Supportive Policy Actions" as one option and "addressing concerns of constituents" as another. Among the "concerns" listed are the "federal budget deficit/program spending", the butter/powder "tilt", foreign donations of nonfat dry milk, termination of the MILC program, dairy compacts and imports of MPC.

The document includes a number of pages of factual information regarding the state of the dairy industry in the United States as well as a chart headed "Federal Budget Deficit Record Large".

The final page of this document is headed "Election Year Fallout" and suggests that the federal budget deficit "[w]ill be addressed after the election". Further, the final page of the document suggests that the deficit "increases the likelihood of MILC termination" and the imposition "maybe" of a "small producer assessment/support price decline". It also states that another "tilt" is "unlikely before election despite price surge" that dairy compacts "will resurface if MILC not extended" and that "import legislation", presumably related to Milk Protein Concentrate is "unlikely under current price environment".

There is much in this document that is troubling including the fact that it reads like a partisan campaign document, the purpose of which is to impart information that will help to "maximize votes" in major dairy states. Further, the document suggests that what is driving

USDA's dairy policy has nothing to do with ensuring consumers with a reliable supply of nutritious dairy products or ensuring dairy farmers with a decent return on their product and labor, but simply a desire to "maximize votes" in dairy states. That might fairly be inferred, for example, from the statement on the final page of the document that another "tilt" is "unlikely *before the election* despite price surge" [emphasis added].

What I suspect Wisconsin dairy farmers will find most troubling, however, is the revelation that USDA is contemplating imposing either a new milk tax on dairy farmers or a cut in the dairy price support, or both. Of further concern is the fact there is nothing in the document to suggest that USDA has any plans to extend the Milk Income Loss Contract (MILC) program or address the MPC tariff loophole. The combination of each of these USDA actions – and each failure to act – will be lower dairy farm income for America's dairy farmers.

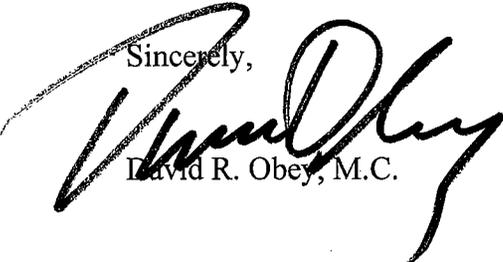
In light of the troubling nature of this document, I would appreciate answers to the following questions.

- What plans does USDA have to impose a milk tax or a dairy producer assessment after the election?
- What plans does USDA have to cut the milk price support after the election?
- Does USDA plan to allow the MILC program to expire on September 30, 2005, as this document, and USDA's inaction, suggest?
- If MILC is allowed to expire, does USDA have any proposal under consideration that would respond to any collapse in farm milk prices?
- Who at USDA approved the presentation of this document?
- What role, if any, did USDA play in the disappearance of this document from the ADPI website the day after the document was revealed in Congress Daily PM?
- Is it fair to conclude that USDA dairy policy will continue to be driven by political considerations, as this document suggests in its multiple references to maximizing votes in major dairy states, or does USDA have plans to develop a dairy policy based upon the best interests of farmers, consumers and the nation? If so, what are those plans?

If there are secret plans to impose a new milk tax or to cut milk price supports after the election, I would strongly urge you to reconsider those plans. Further, I would urge you to level with dairy farmers on this vitally important matter prior to the election so that they may be fully informed of your dairy policy before they go to vote. I would also strongly urge you to endorse extension of the MILC program and, again, make your plans known to dairy farmers on this matter before, not after, the election.

I appreciate your response to these questions.

Sincerely,



David R. Obey, M.C.